



July 17, 2003

Mary Ann Wright
Division of Oil, Gas and Mining
State of Utah
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

VIA FAX (801) 359-3940

Dear Mary Ann:

In response to the Division's letter of May 19, 2003, Notification of Surety Bond Rating Change, Basin Perlite Company, Pearl Queen Perlite Mine, M/001/027, Beaver County, Utah, Basin is suggesting that the current bond which is in effect until February 2004, be replaced with an annuity, in part, offset by reclamation work. The annuity would be payable to the Division as is now required by the current Kemper bond of \$133,600.

Basin proposes to make annual payments of \$5,000 into an annuity. Basin would also complete a minimum of \$5,000 per year in reclamation work. Starting with the surety amount of \$133,600 established by the Division in the RECLAMATION CONTRACT, the reclamation work and the value of the annuity would offset a portion of the total surety required. At the "Escalation Year", the first being 2007, the Division would verify the completed reclamation work in the preceding five years and that amount plus the annuity (principal and interest) would reduce the amount of the total surety.

A calculation of the proposed method is shown in the attached Schedule A. The annuity and the reclamation work would over a period of twelve years reduce the annual payment and Basin's required reclamation funding to \$0. Basin could elect to continue annual reclamation work from that time until completion of operations or complete all reclamation at the time operations are concluded. The Division, in 2015 would hold a balance in the surety of \$73,600 until completion of operations and fulfillment of all reclamation obligations.

Please review this alternative approach and advise me as soon as possible as to its acceptability by the Division. The deadline established by the Division requires that Basin have the replacement surety in place by September 16, 2003.

Very truly yours,

A handwritten signature in black ink, appearing to read "W.R. Wilson", is written over a horizontal line.

William R. Wilson, President
Basin Perlite Company

CC: Tim Hall, Basin Perlite Company
Jay Gatten

RECEIVED

JUL 17 2003

DIV. OF OIL, GAS & MINING

2160 Republic Plaza - 370 17th Street
Denver, Colorado 80202
(720) 904-1900 (720) 904-1904 Fax

P.O. Box 490, 533 S. Industrial Loop Rd.
Milford, Utah 84751
(435) 387-2100 (435) 387-2403 Fax

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Copy
Wayne H.
Steve Schneider
M.A. Wright
orig → file
M/001/027
7/29/03 US
(Wayne + Steve
Please review + we
will meet.
TX1)
MA
7/28/03

ATTACHMENT A

BASIN PERLITE COMPANY

PEARL QUEEN MINE - LARGE MINING OPERATIONS PERMIT M/001/027 - BEAVER COUNTY, UTAH

SURETY CALCULATION - STATE OF UTAH, DOGM RECLAMATION CONTRACT

VALUE OF SURETY: \$133,600

END OF Y YEAR	X INTEREST RATE	PAYMENT	INTEREST FACTOR	ANNUITY VALUE	ADD. ANNUITY VALUE	ANNUAL RECLAMATION	BALANCE REQ
0		\$5,000		\$5,000		\$0	\$128,600
1	3	\$5,000	1.03	\$10,150	\$5,150	\$5,000	\$118,450
2	3	\$5,000	1.03	\$15,455	\$5,305	\$5,000	\$108,146
3	3	\$5,000	1.03	\$20,918	\$5,464	\$5,000	\$97,682
4	3	\$5,000	1.03	\$26,548	\$5,628	\$5,000	\$87,054
5	3	\$5,000	1.03	\$32,342	\$5,796	\$5,000	\$76,258
6	3	\$5,000	1.03	\$38,312	\$5,970	\$5,000	\$65,288
7	3	\$5,000	1.03	\$44,462	\$6,149	\$5,000	\$54,138
8	3	\$5,000	1.03	\$50,796	\$6,334	\$5,000	\$42,804
9	3	\$5,000	1.03	\$57,319	\$6,524	\$5,000	\$31,281
10	3	\$5,000	1.03	\$64,039	\$6,720	\$5,000	\$19,561
11	3	\$5,000	1.03	\$70,960	\$6,921	\$5,000	\$7,640
12	3	\$511	1.03	\$73,600	\$2,640	\$5,000	\$0
TOTAL		\$60,511				\$60,000	

7-17-03